

EITI INDONESIA REPORT

2014

EXECUTIVE
SUMMARY



COORDINATING MINISTRY FOR ECONOMIC AFFAIRS
REPUBLIC OF INDONESIA

EITI Extractive
Industries
Transparency
Initiative
INDONESIA



KEMENTERIAN KOORDINATOR BIDANG PEREKONOMIAN
REPUBLIK INDONESIA

EITI INDONESIA REPORT 2014 **EXECUTIVE SUMMARY**



KATA PENGANTAR

Puji dan syukur ke hadirat Tuhan yang Maha Esa atas terbitnya Laporan Inisiatif Transparansi Industri Ekstraktif (EITI) Indonesia ini yang disusun sesuai dengan standar EITI 2016. Laporan ini merupakan laporan keempat EITI Indonesia sejak menjadi negara pelaksana EITI (*EITI Implementing Country*). Laporan pertama disusun dan dipublikasikan pada tahun 2013 dan laporan kedua pada tahun 2014 masih mengacu pada EITI *Rules* tahun 2011 yang isinya berfokus pada aspek rekonsiliasi penerimaan negara dari industri ekstraktif. Laporan ketiga tahun 2015 mengacu pada standar EITI 2013, selain berisi rekonsiliasi penerimaan negara juga berisi informasi kontekstual dari rantai nilai (*value chains*) industri ekstraktif.

Landasan hukum pelaksanaan EITI di Indonesia adalah Peraturan Presiden Nomor 26 Tahun 2010 Tentang Transparansi Pendapatan Negara dan Pendapatan Daerah Yang Diperoleh Dari Industri Ekstraktif.

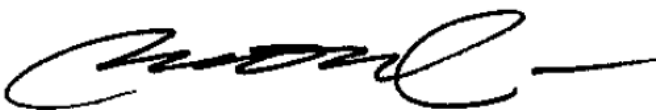
Isi Laporan Laporan Keempat EITI Indonesia tahun 2017 ini mengacu pada standar EITI yang baru yaitu Standar EITI tahun 2016 di mana informasi kontekstual diperkaya antara lain dengan informasi tentang *beneficial ownership* (BO) dari industri ekstraktif. Penerapan Standar EITI 2016 diharapkan dapat mendekatkan tujuan dari transparansi EITI yaitu memperbaiki tata kelola industri migas dan tambang.

Laporan ini disusun oleh Administrator Independent – Kantor Akuntan Publik (KAP) Ernst & Young. Proses penyusunan laporan dimulai sejak awal bulan Desember 2016 dan selesai disusun pada tanggal 27 Februari 2017. Seluruh tahapan dalam proses penyusunan laporan diawasi oleh Tim Pelaksana Transparansi Industri Ekstraktif melalui rapat-rapat Tim Pelaksana maupun rapat-rapat Tim Teknis. Laporan Keempat EITI Indonesia ini mendapatkan persetujuan untuk dipublikasi dari Tim Pelaksana Transparansi Industri Ekstraktif melalui rapat yang diselenggarakan pada tanggal 20 Februari 2017.

Maksud dan tujuan utama dari penerbitan Laporan ini adalah untuk memberikan penjelasan yang lengkap mengenai pelaksanaan kegiatan EITI di Indonesia dalam rangka untuk lebih meningkatkan pemahaman dan kesamaan persepsi dari para pemangku kepentingan EITI di Indonesia. Kami menyadari bahwa keberhasilan pelaksanaan EITI di Indonesia akan sangat ditentukan oleh adanya kesamaan pemahaman dan persepsi dari seluruh pemangku kepentingan.

Akhir kata, kami sampaikan terima kasih kepada Tim Pengarah, Tim Pelaksana, Tim Teknis serta seluruh pemangku kepentingan EITI Indonesia yang selama ini telah turut berkontribusi terhadap kelancaran pelaksanaan kegiatan EITI Indonesia. Tidak lupa juga kami sampaikan terima kasih kepada pihak Bank Dunia yang telah memberikan dukungan finansial melalui dana hibah dari negara donor terhadap pelaksanaan kegiatan EITI Indonesia.

Deputi Bidang Koordinasi Pengelolaan Energi
Sumber Daya Alam dan Lingkungan Hidup
Selaku Ketua Tim Pelaksana Transparansi
Industri Ekstraktif



Montty Girianna



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1 Executive Summary



Grissik Field – ConocoPhillips

Indonesia EITI Report 2014

The Indonesia EITI Report 2014 is Indonesia's commitment to Extractive Industries Transparency Initiative (EITI) program and principles of transparency and accountability in Indonesian extractive industry.

The purpose of this report is to encourage the participation of the Indonesian extractive industry stakeholders in providing understanding of how the Government of Indonesia (GOI) manage the natural resources specifically in this context; oil, gas, mineral and coal, that the society has entrusted by law to the GOI. The report also open the opportunities for society to deliver inputs regarding the governance of extractive industry to make sure that the wealth from natural resources will be beneficial for the society, in which in line with EITI principles.

The Indonesia EITI Report 2014 is consist of 4 (four) volumes:

The first volume, contains the Executive Summary that summarized The Indonesia EITI Report 2014.

The second volume, contains contextual information from extractive industry sector in Indonesia. The contextual information provides a comprehensive illustration on the sector's legal framework as well as governance mechanism, types of contract/ license, current licensing process, payments of companies to central and local government, and share mechanism between central and local government. This volume also explains the participation of State-Owned Enterprises (SOEs) in Indonesian extractive industry. The contextual information will help the reader to have a deeper understanding about the reconciliation process in volume 3 in Indonesia EITI Report 2014.

The third volume, contains the reconciliation report between total payment by companies in the upstream sector of oil and gas, mineral and coal (mining) and the total annual revenue received by GOI and SOEs. The revenue and payment include fiscal revenues such as taxes, fees and charges also the non-fiscal revenues such social charity, CSR program, rehabilitation fund and royalty. The reconciliation report also covers the findings and explanation of discrepancy between total revenue of government and total payment from the extractive companies to government. In the third volume, the Independent Administrator (IA) team made recommendations for future improvements in order to prevent discrepancy.

The fourth volume, contains the appendices of the third volume to provide the supporting data of reconciliation process. In the appendices, the reconciliation result is presented in detail by each sector, which are oil and gas sector and mineral and coal mining sector.

The appendices showed the contribution from each extractive companies in the sample to state revenue, the Sharing Revenue Fund (known as DBH in Indonesian) and contribution to local government revenue where the extractive site located.

The Multi Stakeholder (MSG) or the EITI Indonesia Implementing Team and EITI Indonesia Secretariat delivered the Indonesia EITI Report 2014 by appointed PT Ernst & Young Indonesia as the Independent Administrator (IA) to conduct study, prepare the contextual report and prepare the reconciliation report. The report is available at <http://eiti.ekon.go.id/laporan-eiti-indonesia-2014/>.

The Indonesia EITI Report 2014 is Indonesia EITI's fourth report. The report represent the background of EITI project, the benefits of implementing EITI to government, companies in extractive industry and organizations in the society. The report also aligned with EITI International Standard.





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2 Executive Summary Contextual



Contextual Report discusses the development of EITI Indonesia activities especially related to contextual information in 2014 towards EITI Standards 2016. Extractive activities are all activities exploration for and discovery of natural resources at their sources, namely crude oil, gas, minerals and coal. Extractive industry is broadly categorized in to two sub-sectors: upstream and downstream. Upstream sector includes activities that focus on exploration and exploitation.

Contextual Report Year 2014 is divided into 7 (seven) sections which can be the source and reference for general public to understand the extractive industry in Indonesia.

The first section of this contextual report discusses the background EITI program in Indonesia. There are two categories of countries implementing EITI Standards 2016. The first category is EITI Candidate country and the second is EITI Compliant country. Indonesia as a member in EITI is required to perform reconciliation process between payment of companies to the government and the government receipt from the companies' payments. This tasks are performed by the appointed Independent Administrator (IA). The EITI Standard 2016 is a new EITI Standard that was ratified in February 2016 at the EITI Global Conference forum in Lima. In addition, this section also explains the legal framework of EITI in Indonesia.

The second section of this contextual report discusses the governance of extractive industry in Indonesia. The 1945 Constitution of the Republic of Indonesia Article 5 and Article 33 provides authority

to the Government in supporting the transparency of governance in extractive industry in Indonesia. This section describes rules and regulations related to the oil and gas industry and mineral and coal industry in Indonesia including but not limited to Law No. 22/2001 on oil and gas is the main basis of oil and gas provisions that were changed after the verdict of the Constitutional Court No. 36/PUU-X/2012 and Law No. 4/2009 about mineral and coal mining regulates provisions in the implementation and control of mineral and coal business activities.

Additionally, there are numbers of laws and regulations that also describe the substance of the extractive industries in Indonesia such as Law No. 2/2012 on Land Procurement for Development for Public Interest, Law No. 12/2011 on the Establishment of Legislation and several other Laws.

In addition, this section also explains rules and regulations related to the mining industry of oil and gas including but not limited to the Presidential Decree No. 9 of 2013 on the Implementation of Management Upstream Oil and Gas, Presidential Decree No. 95 of 2012 on the transfer of the tasks and functions of oil and gas activities and Ministry of Energy and Mineral Resources (ESDM) Regulation No.35/2008 on the establishment and supply of oil and gas working areas. Significant rules and regulations related to mining industry of mineral and coal include Government Regulation No. 22/2010 on Mining Areas, Presidential Regulation No.78/2010 on post-mining reclamation, Ministry of ESDM Regulation No. 17/2010 on Procedure for Determining the Standard Price of Mineral and Coal, and other rules and regulations.

Section two also describes on the Tasks, Roles and Responsibilities of Government Agencies associated to the Extractive Industries which are Ministry of Energy and Mineral Resources, Ministry of Finance, Ministry of Environment and Forestry as well as Local Government. On-going changes and improvements of governance related to extractive industry include Government Regulation No. 79/2010 on the operating costs that can be refunded and the income tax treatment in the areas of upstream oil and gas, changes in governance at oil and gas sector by performing completion of field development plans, decline in gas prices in the

upstream, adjustment on Participating Interest (PI) 10% or management rights of oil and gas blocks for regional.

On the mineral and coal sector, there are priority programs such as arrangement of *Izin Usaha Pertambangan* (IUP) non Clear and Clear (Non CNC), renegotiation of Kontrak Karya (KK) and *Perjanjian Karya Pengusahaan Pertambangan Batubara* (PKP2B), Activity Plan Budget and Cost (RKAB), reclamation guarantee, increase of state revenues, integration of inspector mines, mining policy, policy of increase in added value, revised of Law of Mineral and Coal and RPIIT Services.



Power Generator – PT Bukit Asam (Persero) Tbk.

The third section of this contextual report discusses the Licensing Process, zonation of Oil and Gas Working Area and Mineral and Coal Mining Area as well as Contract System. This section focuses on establishment and offer on the working areas of oil and gas in the form of Open Area, preparation of the working area in order to offer the working area to the business entity and permanent business entity through auctions of the working area and direct offers of the working area.

The zonation of working area encompasses geological surveys, geophysical surveys and geochemical surveys. Working Area Auction Procedures are undergone through the establishment of *Tim Penawaran Wilayah Kerja* (Working Area Offering Team) consisting Auction Team and Assessment Team. Deals of Working Area in 2014 occurred with 6 winning bidders through Direct Offer from 8 Conventional Oil and Gas Working Area being offered and 2 winners of Regular Bid from 5 Conventional Oil and Gas Working Area being offered.

Firm commitments from 3 winning bidders for the three-year exploration period are in the form of studies, seismic surveys and drilling of exploration wells. Total exploration investment commitments are amounted USD 37.025 million. While the Signature Bonus is amounted USD 3 million.

Section three also discusses the process of determining and granting mineral and coal Mining Zone license. Determination of allocation of Mining Area is a part of the Mining Zone that already has data availability, potency, and/or geological information. Small-Scale Mining Area is a part of Mining Zone where small-scale mining activities are carried out. State Reserve Area is a part of Mining Zone that is reserved in the interest of national strategy. Determination of Mining Permit Area/*Wilayah Izin Usaha Pertambangan* (WIUP) is an area that is authorized to the Mining Permit /*Izin Usaha Pertambangan* (IUP) holder.

Mining Permit Area is obtained in several ways: Radioactive Mining Permit Area obtained in accordance with the provisions of the Law, metal mineral and coal Mining Permit Area is obtained through auction, while non-metallic minerals and rocks is obtained by applying request regionally. IUP and Special Mining *Permit/Izin Usaha Pertambangan Khusus* (IUPK) holder are not allowed to transfer the IUP and IUPK to other party. Other party is an entity with 51% or more of its shares not owned by the IUP or IUPK holder. Meanwhile IUP and IUP owned by the State Owned Enterprise (SOE), partial of the IUP or IUPK area production operation can be transferred to another party. The other party is an entity with 51% or more of its shares owned by the IUP or IUPK holding SOE.

This section also discussed the extractive industry Contract and Licensing System for oil and gas and mineral and coal sector. For oil and gas, it contains information regarding oil and gas sector applicable contracts in the oil and gas sector, profit sharing contract expiration and transfer of Participating Interest (PI). For mineral and coal sector, the section elaborates the applicable current licensing in the sector.

Contract Disclosure associated with oil and gas and mineral and coal are still not open to the public in Indonesia although the discussion and discourse on the benefits of the contract disclosure has been undertaken by the state officials.

In addition, the third section discusses the Extractive Industry Information System covering cadaster information: owner of the license, coordinate of the mining area, date of application date of authorization, and the duration of the license contract, types of commodities produced, as well as how to update such information be available to the public.

The fourth section in contextual report elaborates about Extractive Industry Management in Indonesia, as well as Extractive Industry in Indonesia in global context; the current condition of oil and gas industry regarding potential natural resources and oil and gas reserves and significant upstream oil and gas activities; the challenges and issues in oil and gas industry included discourse about gross split contract and decreasing investment in oil and gas.

Furthermore, section four explains about the current condition of mining industry in Indonesia. The potential natural resources and coal reserves in 2013 is 31.4 billion ton. Potential mining reserves of gold and lead in Indonesia is the fifth and second respectively in the world reserve. The significant upstream mining activity in 2015 is construction of 5 smelters out of 12 targeted smelters construction. The section also includes the current challenges and issues in mining industry such as illegal mining (*PETI*), *Artisanal and Small-Scale Mining (ASM)*, and industry sustainability.

The fifth section in contextual report discusses about State Revenue management from extractive industry related to fiscal policy. The fiscal policy for Extractive Industry Revenue management in oil and gas industry is regulated by Finance Ministry Decree No. 48/PMK.07/2016 about fund transfer management to local government. Moreover, the regulation of fiscal policy calculation process for mining industry is similar with the fiscal policy calculation process for oil and gas industry.

Section five also discusses about planning, budgeting and audit process and National Budgeting About Industry. One of the purposes of national budgeting system in oil and gas industry is to complete strategic oil and gas projects located in 12 areas: Cepu Block (Full Scale 165.000 bpd), Minyak Bukit Tua field and Ande-Ande Lumut, Kepodang Gas Field, Sengkang Donggi Senoro-Matindok Block, MDA-MBH (Husky) field, Cepu Block (Jambaran Tiung Biru gas field), Medco Malaka Aceh, Muara Bakau Block, Jangkrik (ENI), IDD:Bangka-Gendalo Hub-Gehem Hub and Abadi Masela Tangguh Train-3 Block. The discussion in section Monitoring System of National Budget Spending focuses on coal production control and recommendation preparation for coal mining permit in which done by Geological Agency.

The sixth section in contextual report elaborates about State-Owned Enterprise (SOE), relationship of SOE and Government, Shareholder Authority General Meeting (known in Indonesian as RUPS) and the formation of SOE Holding. PT Pertamina (Persero) is the result of incorporation between Pertamina and Permina in 1968. Business Development Project includes acquiring the Mahakam Block management starting on 1 January 2018, acquiring the Kampar Block management starting on 19 January 2016, extending ONWJ Block (PI 73.5%) starting on 19 January 2017 and acquiring 100% of NSO Block and NSB Block starting on 1 January 2015. Furthermore, the Business Development Project also covers Loan from Government to Government regarding Loan for Gas Station Construction Project (known as DPPU) at Ngurah Rai, Construction of Panas Bumi Lumut Balai and Construction of Panas Bumi Ulubelu dan Lahendong.

In addition, section six discusses about 4 development and process main upstream mining projects of PT Aneka Tambang (Persero). The projects are Pomalaa Ferronickel Factory Expansion Project (known as P3FP), Haltim Ferronickel Factory Construction Project (known as P3FH), Smelter Grade Alumina Refinery (SGAR) Project and Anode Slime & Precious Metals Refinery Project. PT Aneka Tambang (Persero)

also focuses on reducing cash cost and increasing cost competitiveness; partnership between Antam and Inalum to build smelter; and partnership between Antam and PLN. PT Bukit Asam (Persero) Tbk focuses on Electricity Generator 4400 MW construction and PTBA will increase the production in 2017.

Chapter six explains PT Timah (Persero) as the SOE in lead mining industry that has been in the industry for 200 years. PT Timah (Persero) supports the development of structure and infrastructure, education, training, religious activities, sport activities and other social programs as part of Partnership and Community Development Program and Corporate Social Responsibility (CSR), and focuses on How Government Fight Illegal Mining.

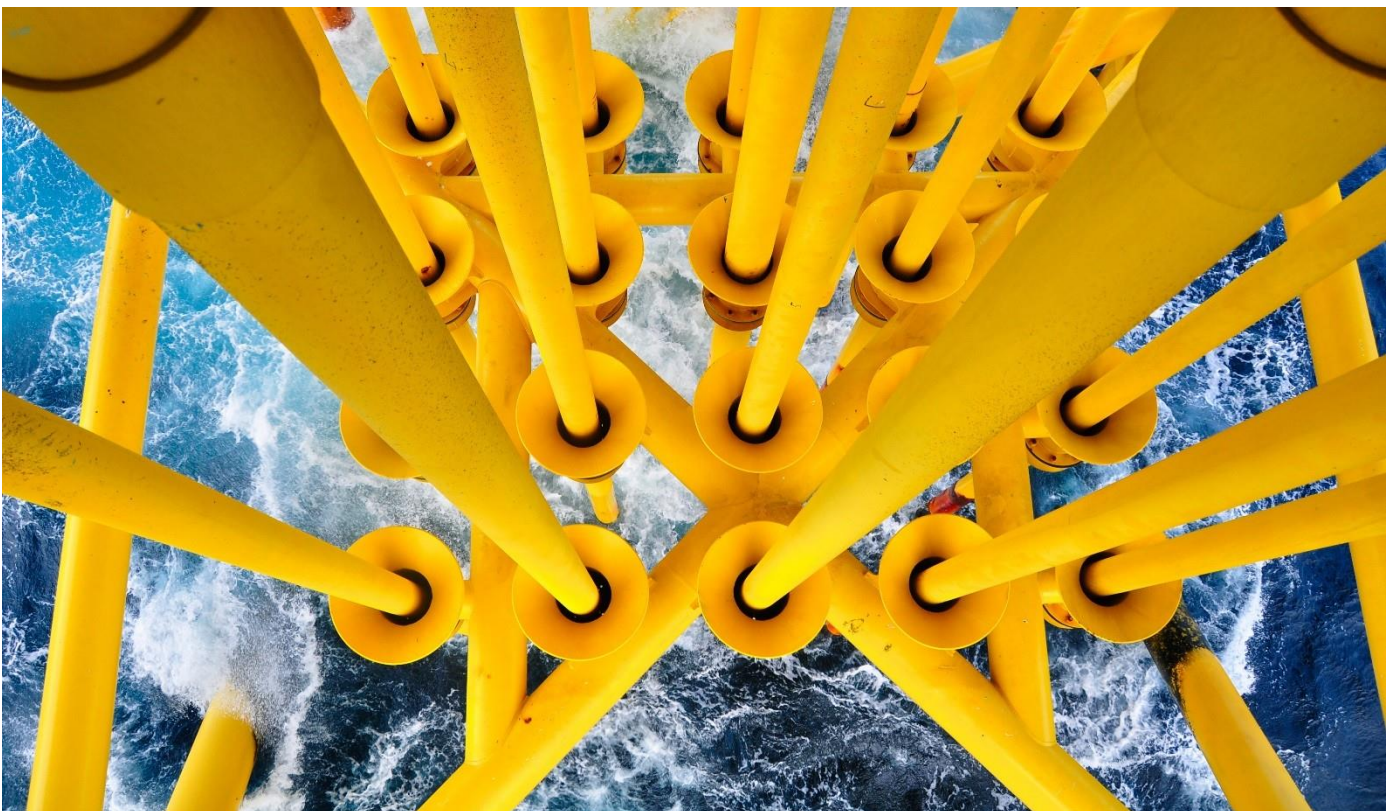
The seventh section in contextual report discusses about Environmental Responsibility and Social Responsibility. In the oil and gas mining: Abandonment and Site Restoration Fund (ASR Fund) refers to the Code of Work No. 040 / PTK / XI / 2010 about Abandonment and Site Restoration set by SKK Migas, the Guidelines contains the procedures in carrying out the planning, provisioning funds, implementation, use of funds, and ASR reporting. The following are the main points of the Code of Work ASR: Backup Fund ASR Reporting, ASR Fund Placement, ASR Activities Implementation, Disbursement ASR Fund, ASR Accountability, implementation and monitoring.

Mining companies are obligated to make reclamation guarantee and post-mining collateral. In exploration and production mining phase, mining companies are obligated to make Reclamation Plan, Reclamation Guarantee, and Reporting and Disbursement of Reclamation Guarantee. In the post-mining phase, the companies are obligated to make: Post-mining Plan, Post-mining Guarantee, and Reporting and Disbursement of Post-mining Guarantee. Implementation includes setting the performance indicator to support the strategic target of DG Mineral and Coal. The performance indicator used is Reclamation Area of Ex-Mining Site (Ha).

Monitoring is done through reclamation report, online environmental monitoring, evaluation and monitoring of the reclamation implementation by each mining permit holder (KK and PKP2B), and technical guidance for reclamation and post-mining.

This section also elaborate regulation and implementation on CSR, where CSR program is divided into 5 categories: community service (e.g. natural disaster relief and donation/charity/philanthropy), community empowerment (community development to improve product quality, quantity, packaging, and marketing channel), infrastructure development (development/construction of religious activities facilities, public facilities, health facilities), education improvement (providing scholarship for student and donation related to education facilities), and utilization of company's facilities and infrastructure (e.g. providing training on special skills possessed).

This contextual report is prepared based on direction from Implementing Team and information that are available publicly and data provided by Implementing Team.





3 Executive Summary Reconciliation



Background

Extractive Industries Transparency Initiative (EITI) is a global standard that contains principles to promote transparency and accountability of natural resources management particularly in oil and gas, and mining sector. The standard works by performing reconciliation process between extractive companies and government entities.

The reconciliation process is done by comparing payment record reported by extractive companies with the payment record received by government entities as illustrated in Figure 1 (on the next page).

In a case where discrepancy exist in the reconciliation result, clarification process and investigation toward related entities both companies and government needs to be done to retrieve reasons and justification for the differences. On top of the reconciled revenue, this report also covers non-reconciled revenue (reported from one side only).

The reconciliation report will then be published for public consumption to allow information disclosure on accountability in natural resources management that is done by the government. Thus, stakeholder that includes public society can raise input to the government relating to management and utilization of natural resources in the country.

Figure 1 EITI Global Standard



Source: <http://eiti.ekon.go.id/>

State revenues by industry type

Revenues from oil and gas sector in 2014 amount to IDR 341.25 trillion, increasing in compare to previous year, that amounts to IDR 326,78 trillion.

Percentage of revenue in oil and gas sector in proportion to state revenue in 2014 represents

22.01%, where it is lower than the proportion last year with 22.7%

The table below presents the breakdown of each revenue stream both tax and non-tax in oil and gas sector:

Table 1 State Revenue 2013 and 2014 from Oil and Gas Sector

Revenue Stream	2013 (in trillions Rupiah)	2014 (in trillions Rupiah)
TAX		
Oil and Gas Revenue Tax	88.75	87.45
Land & Building Tax (PBB)	20.94	20.60
NON-TAX		
Oil Revenue	135.33	139.17
Natural Gas Revenue	68.30	77.7
Revenue from Upstream Activities	13.46	16.33
TOTAL OIL AND GAS REVENUE	326.78	341.25
TOTAL STATE REVENUE	1,438.89	1,550.49
RATIO	22.70%	22.01%

Source: LKPP 2013 and 2014

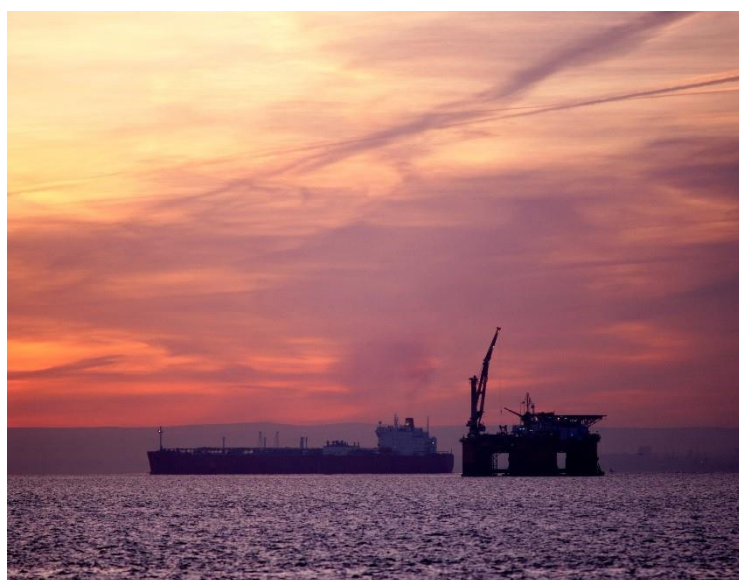
Revenue from mining sector in 2014 is Rp 37.37 trillion, in which contributed 10.01% of total state revenue. In comparison with 2013, the revenue from mining sector was Rp 29.63 trillion and contributed 9.8% of total state revenue.

The data shows revenue from mining sector is increasing from 2013 to 2014. Please see Table 2 for more detail of revenue in mining sector.

Table 2 State Revenue in 2013 and 2014 for Mining Sector

Revenue Type	2013 (in trillion Rupiah)	2014 (in trillion Rupiah)
TAX		
Mining Tax	96.57	118.8
NON-TAX		
Royalty	18.03	18.49
PHT	9.79	16.17
Land Rent	0.59	0.81
Borrow to Use Permit for Forest Area (IPPKH)	0.59	0.88
TOTAL MINING REVENUE	29.63	37.37
TOTAL STATE REVENUE	1,438.89	1,550.49
REVENUE RATIO	9.8%	10.01%

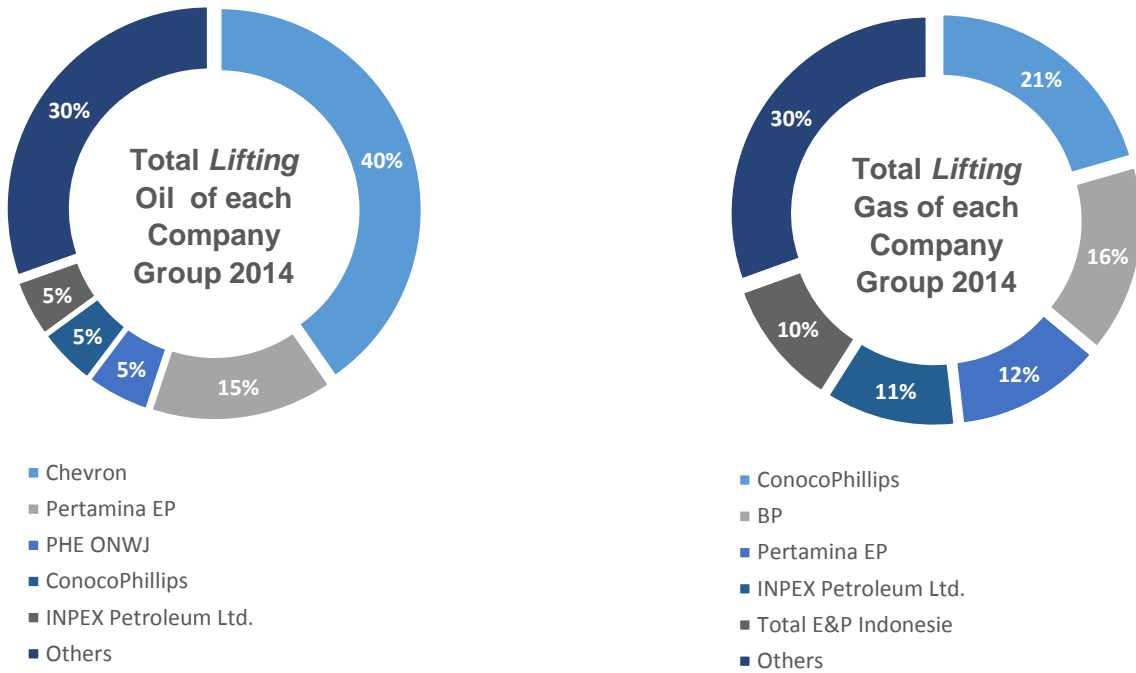
Source: LKPP 2013 and 2014



Major Contributor Companies

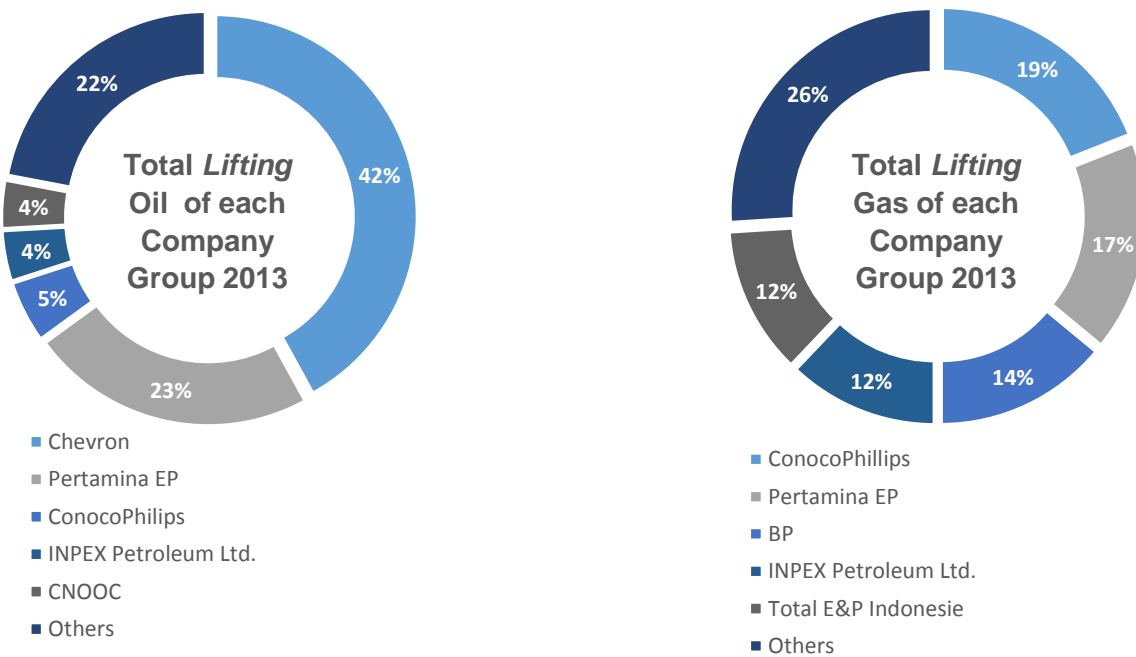
The largest company for total oil lifting in barrel is Chevron (company group). In 2013 and 2014, Chevron contributed 42% and 40% respectively for total oil lifting. For gas lifting in MSCF, ConocoPhillips (company group) contributed 19% in 2013 and 21% in 2014. The top 5 contributor for total oil and gas lifting in 2013 and 2014 is showed in Figure 2 and 3 on the next page.

Figure 2 Total *Lifting* Oil and Gas Year 2014



Source: EITI Indonesia Data Analysis Year 2014

Figure 3 Total *Lifting* Oil and Gas Year 2013

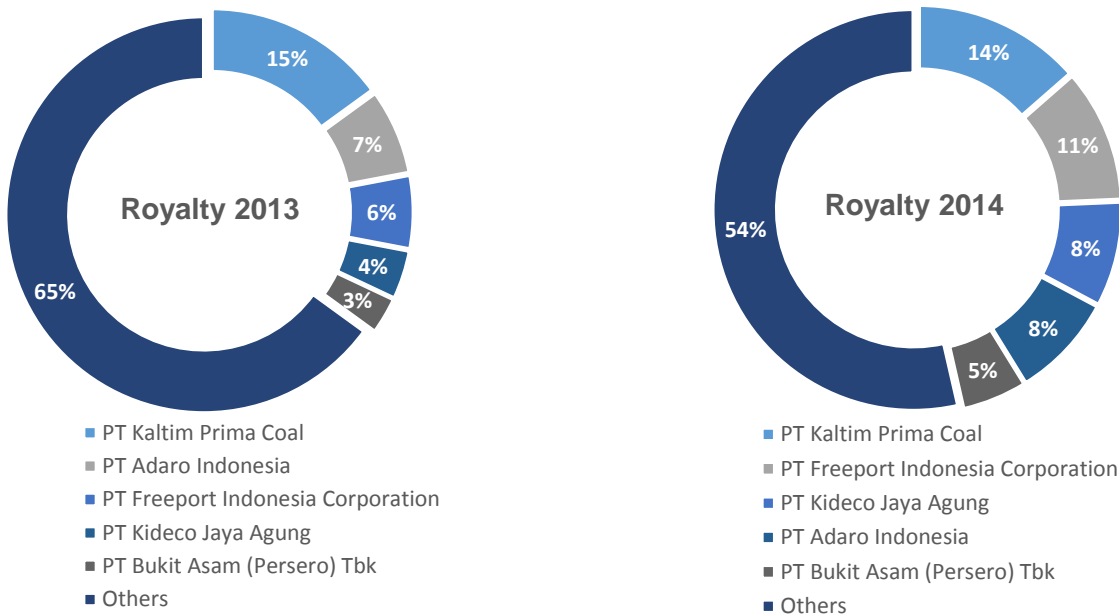


Source: EITI Indonesia Data Analysis Year 2014

In the mineral and coal sector, the 5 largest royalty contributor companies cover 46% of the total royalty payment in 2014, where there is 11% decrease compared to 2013. PT Bukit Asam (Persero) Tbk. is

the only State Owned Enterprise (SOE) included in the top 5 largest royalty contributor companies in 2014. The largest royalty contributor mineral and coal companies are shown in the figure below.

Figure 4 Total Royalty Contribution by Mining Companies Year 2013 and 2014

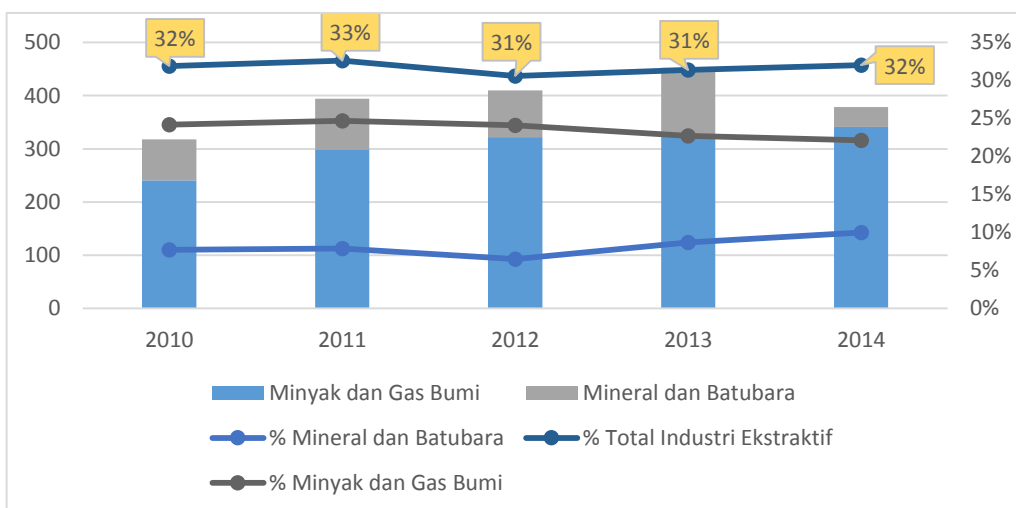


Source: EITI Indonesia Data Analysis Year 2014

Oil and gas and mineral and coal sector are a sector that plays an important role for the state revenue. Contributions of oil and gas are about 23-25% and the mineral and coal are around 6%-9%

of the total state revenue. Consolidation of the two sectors are approximately 30%-33% of total revenues, as illustrated in Figure 5 beneath.

Figure 5 Contribution of Extractive Industry for State Revenue



Source: BPS

State Revenue for Reconciliation

Based on Term of Reference (TOR) and Scoping Note, types of state revenue for reconciliation are:

Oil and Gas Sector

- Corporate and Dividend Tax
- Government lifting (including over/under lifting) and DMO received in kind
- Signature Bonus and Production Bonus

Minerals and Coal Mining Sector

- Royalty, Sales Revenue Share (*Penjualan Hasil Tambang/PHT*), Corporate Income Tax paid in cash to state treasury
- Transportation fee paid to SOE

Based on EITI form submitted by the reporting entities, total of tax revenues included in reconciliation is USD 7.3 billion. Non-tax revenue from oil and gas sector included in the reconciliation is USD 21.8 billion.

Reconciliation in the oil and gas sector shows significant decrease between the initial discrepancy (before adjustment) and final discrepancy (after adjustment) to the total reconciled amount for each information reconciled. Clarification on discrepancies are performed in order to make adjustment and also to identify factors that cause the discrepancies.

Based on our analysis, the final discrepancies are caused by:

Difference between PSC and SKK Migas for USD 85 thousand on DMO Fee due to:

- PSC Contractor charged DMO fee to government but not paid as Equity to be Split (ETNS) has not been decided. This discrepancy is confirmed by IA to PSC Contractor and SKK Migas

Difference between PSC and SKK Migas for 93.212 MSCF on total lifting gas (volume) due to:

- Inaccurate data on total lifting of gas filled by PSC Contractor in FQR submitted to SKK Migas, where quantity of LPG is not included). Total lifting gas provided by SKK Migas to EITI is updated data where quantity of LPG is included). This discrepancy is identified for 1 PSC contractor and already confirmed by IA to the PSC Contractor and SKK Migas.

Difference between PSC and SKK Migas for 1.930 MSCF on government lifting gas (volume) due to:

- Data for government lifting of gas in MSCF filled by PSC Contractor in EITI form is not based on final FQR. Hence, there are discrepancy between data filled by PSC Contractor and SKK Migas. As per agreed deadline, the discrepancy has not been confirmed by PSC Contractor.

Difference between PSC and Directorate General Oil and Gas

- Difference in recording for lifting of gas between Directorate General of Oil and Gas and PSC Contractor, caused by difference in conversion unit, work area unitization, correction of lifting data in Directorate General of Oil and Gas' report, and combined data for Operator and Partner by Directorate General of Oil and Gas. The discrepancies are identified in 51 companies and confirmed by DG Oil and Gas and SKK Migas.

Difference between PSC and Directorate General of Budget for USD 21.151 thousand on Corporate & Dividend Tax due to:

- Payment of tax and STP/SKPKN is reported by the company and paid to state treasury, hence not recorded by DG Budget. The discrepancies are identified in 11 companies and confirmed by DG Budget and the companies.
- Difference in record of tax payment between Directorate General Budget and PSC, identified in 9 companies.
- As per agreed deadline, the reporting entities did not provide clarification on discrepancy on tax payment, identified in 10 companies.

Difference between PSC and Directorate General of Budget for 538.706 on over/under lifting oil and gas due to:

- Over/under lifting LNG is settled through cargo mechanism (not through cash) which is not recorded as cash settlement in DJA. It is identified in 8 companies.

The table in the following page shows the reconciliation result for oil and gas sector.

Table 3 Reconciliation Results for Oil and Gas Sector 2014

Revenue Stream	Unit	Reconciliation Result			%
		PSC Contractor	SKK Migas	Difference	
		(1)	(2)	(3) = (2) - (1)	
		(4) = (3) / (1)			
Total Lifting of Oil	Thousands USD	27,435,769	27,435,769	0	-
Total Lifting of Gas	Thousands USD	25,487,902	25,487,902	0	-
Domestic Market Obligation Fee	Thousands USD	1,013,421	1,013,506	85	0.01
Over/Under Lifting of Oil	Thousands USD	66,615	66,616	1	-
Over/Under Lifting of Gas	Thousands USD	(507,806)	(507,805)	1	-
Total Lifting of Oil	Barrel	287,078,468	287,078,471	3	-
Total Lifting of Gas	MSCF	2,346,883,125	2,346,789,913	(93,212)	0.00
Government Lifting of Oil	Barrel	151,216,887	151,216,888	1	-
Government Lifting of Gas	MSCF	588,281,979	588,283,909	1,930	0.00
Domestic Market Obligation	Barrel	23,840,594	23,840,597	3	-
DG Oil & Gas					
Total Lifting of Oil	Barrel	287,078,468	287,078,467	(1)	-
Total Lifting of Gas	MSCF	2,346,883,125	2,465,343,816	118,460,691	5.05
Signature Bonus	Thousands USD	20,000	20,000	0	-
DG Budget					
Corporate & Dividend Tax	Thousands USD	7,331,901	7,310,750	(21,151)	(0.29)
Production Bonus	Thousands USD	6,750	6,750	0	-
Over/Under Lifting of Oil and Gas	Thousands USD	(441,190)	97,516	538,706	(122.10)
		SKK Migas	DG Budget		
Government Lifting of Oil – Export and Domestic	Thousands USD	14,561,857	14,568,360	6,503	0.04
Government Lifting of Gas – Export and Domestic	Thousands USD	6,637,847	6,637,846	(1)	-

Source: EITI Indonesia Data Analysis Year 2014



Spreader PT Bukit Asam
(Persero) Tbk.

Based on EITI form submitted by the reporting entities, total of tax revenues included in reconciliation from mining sector are IDR 2,463 billion and USD 979 million. Total non-tax revenues, including dividend, are IDR 4,148 billion and USD 2,212 million.

There are numbers of mining companies did not submit the EITI form and the letter of tax disclosure authorization on the agreed deadline. There are 45 companies that did not submit the EITI form and 7 companies that did not submit letter of tax disclosure authorization. Hence, reconciliation cannot be performed for all companies in the sample. Based on Directorate General of Mineral and Coal, royalty and Sales Revenue Share (*Penjualan Hasil Tambang/PHT*) payments from the 45 companies is 7.42% of the total non-tax revenues from the mining sector. Meanwhile, the percentage of corporate income tax revenue from companies that did not submit letter of tax disclosure authorization cannot be identified as Directorate General of Tax cannot disclose the information without the authorization letter.

Reconciliation in the mining sector shows significant decrease between the initial discrepancy (before adjustment) and final discrepancy (after adjustment) to the total reconciled amount. Initial discrepancy is ranging from 2.52% to 12.59% from the total amount. The final discrepancy is ranging from 0.16% to 11.33%.

Based on our analysis, the final discrepancies are caused by:

Based on our analysis, difference between companies and DG Mineral and Coal for royalty (USD 6,865 thousand and Rp 186,092 million) and PHT (USD 1,993 thousand and Rp 97,196 million), are caused by :

- Inaccurate allocation of non-tax revenue (*Penerimaan Negara Bukan Pajak/PNBP*) between royalty, PHT and Land rent, identified in 8 companies
- As per agreed deadline, the reporting entities did not provide clarification on discrepancy of royalty and PHT, identified in 18 companies.



Kerisi Platform - ConocoPhillips

- Timing difference (companies report the payment at year-end, Directorate General of Minerals and Coal record the revenue at the beginning of the following year), identified in 2 companies.
- Not recorded in Directorate General of Minerals and Coal report, identified in 1 company.

Difference between companies and DG Taxation on Corporate Income Tax for USD 23,884 thousand and Rp 221,180 million, are caused by:

- Companies did not provide receipt of payment (*Nomor Transaksi Penerimaan Negara/NTPN*) for clarification by Directorate General of Taxation, identified in 1 company.
- Companies did not disclose payment of tax penalty on Corporate Income Tax, identified in 5 companies.
- As per agreed deadline, the reporting entities did not provide clarification on discrepancy on Corporate Income Tax, identified in 15 companies.

Companies did not submit letter of tax disclosure authorization (related to Corporate Income Tax), identified in 7 companies.

Table 4 Reconciliation Result for Mining Sector 2014

Revenue	Currency	Mining Company	Government Agency	Difference	%
(1)	(2)	(3)	(4)	(5) = (4) – (3)	(6) = (5):(4)
			DG Mineral and Coal		
Royalty	Thousands USD	1,003,101	1,009,967	6,865	0.68
PHT	Thousands USD	1,209,064	1,207,070	(1,993)	0.16
			DG Tax		
Corp. Income Tax	Thousands USD	979,686	1,003,530	23,844	2.43
			PT KAI		
Transportation Fee	Thousands USD	65,807	65,807	0	0
Subtotal		3,257,660	3,286,376	28,716	0.88
			DG Mineral and Coal		
Royalty	Millions Rupiah	1,642,774	1,828,867	186,092	11.33
PHT	Millions Rupiah	1,569,503	1,472,306	(97,196)	(6.19)
			DG Tax		
Corp. Income Tax	Millions Rupiah	2,463,548	2,684,729	221,180	8.98
			DG Budget		
Dividend	Millions Rupiah	936,197	936,197	0	0
			PT KAI		
Transportation Fee	Million Rupiah	1,528,998	1,528,998	0	0
Subtotal		8,141,023	8,444,980	303,957	3.73%

Source: EITI Indonesia Data Analysis Year 2014



Tarakan Block – PT Medco E&P Indonesia

Non-reconciled State Revenue

According to 2014 Scoping Note, state revenue streams that are below the limit of materiality, are prepared in one-sided company report (unreconciled).

Other state revenue from oil and gas sector as well as minerals and coal that needs to be reported (but not reconciled) by the government or companies are as follows:

Oil and gas sector:

1. Signature Bonus for new contract signings reported by Directorate General of Oil and Gas

2. Property Tax reported by Directorate General of Budget
3. Value Added Tax reported by Directorate General of Budget
4. Local Taxes and Levies reported by Directorate General of Budget
5. Corporate Social Responsibility reported by PSC holders
6. Transportation Services (for SOEs) reported by Pertamina
7. Firm Commitment

Non-reconciled state revenue streams are specified in the following table:

Table 5 Oil & Gas Sector Non-Reconciled State Revenue 2014

Item	IDR (millions)	USD (thousands)
Signature Bonus		9,000
Property Tax	16,782,727	
Local Taxes and Levies	56,145	
Value Added Tax	12,184,750	
CSR:		
1. Company Infrastructure Utilization		33
2. Community Empowerment		2,225
3. Community Service		5,909
4. Education Enhancement		3,268
5. Infrastructure Development		2,692
CSR Total		14,129 ^{*)}
Transportation Services (for SOEs)		127,790
Firm Commitment		2,500
Total	29,023,622	139,290

^{*)} Subject to rounding

Source: EITI Indonesia Data Analysis Year 2014

While state unreconciled state revenue from minerals and coal sector are as follows:

1. Land Rent reported by companies
2. Property Tax reported by companies
3. Local Taxes and Levies reported by companies
4. Direct Payment to Local Government reported by companies
5. Corporate Social Responsibility (CSR) reported by companies
6. Infrastructure Provision
7. Borrow to Use Permit for Forest Area (*Izin Pinjam Pakai Kawasan Hutan/IPPKH*)
8. Domestic Market Obligation

Table 6 Minerals and Coal Sector Non-Reconciled State Revenue 2014

Item	IDR (millions)	USD (thousands)	Ton
Land Rent	24,512	5,730.82	
Property Tax	457,006	-	
Local Taxes and Levies	744,528	48,333.43	
Direct Payment to Local Government	333,992	356.58	
CSR			
a. Company Infrastructure Utilization	708	-	
b. Community Empowerment	85,235	13,324.40	
c. Community Service	167,292	71,877.61	
d. Education Enhancement	21,743	272.38	
e. Infrastructure Development	50,089	11,783.90	
Infrastructure Provision	44,866	31,690.24	
Borrow to Use Permit for Forest Area (IPPKH)	576,224	-	
Domestic Market Obligation			43,294,785
Total	2,506,196	183,369	43,294,785

Source: EITI Indonesia Data Analysis Year 2014

Infrastructure Provision and Barter Arrangement

EITI Standard 4.3 requires Implementing Team and Independent Administrator to consider whether there are agreements involving the procurement goods and services including loans, grants, and infrastructure provision, in exchange with oil, gas or minerals and coal exploration.

All oil and gas mining contracts in Indonesia are following revenue sharing contract system, where all assets owned by PSC holders that are used in operating activities belong to the state including infrastructure used in operation processes.

In extractive industry in Indonesia, the concept of barter does not apply.



Corporate Social and Environment Responsibility (CSR)

CSR is an inseparable activity from a company's activities to show its commitment and responsibility to stakeholders (with direct or indirect relationship) and surrounding environment. CSR activities are conducted through direct and sustainable involvement, so that the economic, social and environments aspects are well balanced.

CSR Fee in oil and gas sector was initially counted in cost recovery arrangement, however after the issuance of Government Regulation No. 79 in 2010 the provision are as follows:

- The cost of community empowerment by PSC holders that are still in exploration stage can be counted as cost recovery
- The cost of community empowerment by PSC holders that already in exploitation stage cannot be counted as cost recovery

For minerals and coal sector, according to Law No. 40/2007 on Limited Liability Company, social responsibility is required for companies, however the amount of funds to be allocated for empowerment programs are not specified. The obligation is regulated only in the Law No.4/2009 on Minerals and Coal Mining that companies with Mining License and Special Mining License are required to prepare CSR programs.

CSR programs reported in this report are based on a classification that refers to Government Institution Accountability and Performance Report of the Ministry of Energy and Mineral Resources in 2014, as follows:

- a. Company Infrastructure Utilization: training for youth/people on special abilities required by companies, such as: welding, lathing, workshops, creative skills training to utilize industrial waste and its distribution (in cooperation with related officials)

- b. Community Empowerment: Forming groups to help "improving quality, quantity and packaging, as well as sales network", utilize products as corporate gifts, training local labor in preparing the rehabilitation of mining land
- c. Community Service: Disaster relief and Donation/Charity/Philanthropy
- d. Education Enhancement: Improvement of surrounding citizen's education, scholarships for high achieving students, support on education infrastructure
- e. Infrastructure Development: In the forms of worship buildings, general infrastructure, health infrastructure

Based on the scoping study and Implementing Team's decision, CSR is not required to be reconciled, only reported from the company's side. The decision is based on broad concept of CSR in Indonesia with no clear definitions and the recipients of CSR coming from the community and civil institutions.

In Total, CSR conducted by extractive companies (included in this report) in 2014 is Rp 325.067 million and USD 111.387 thousand.

Transportation

EITI Standard 4.4 stated that SOE revenue that is coming from extractive transportation services as service provider reported in this report including transported mining products, transportation routes and transporting SOEs.

According to Implementing Team's agreement, if transportation revenue received by SOEs from companies is greater than 1% from total state revenue from each sector or exceeding the limit of materiality set in the Scoping Study, then the transportation revenue will be reconciled.

Oil and Gas Sector

PT Pertamina (Persero) received revenue from transportation fee/toll fee for oil and gas products. In 2014, the revenue from oil toll fee is USD 13,082,172 and gas toll fee is 114,707,730. The toll fee is not reconciled because the total amount of toll fee is less than 1% for oil and gas sector.

Mineral and Coal Mining Sector

The transportation revenue is a type of revenue received by SOE, in which PT Kereta Api Indonesia (Persero) for mining sector. PT Kereta Api Indonesia (Persero) generated its transportation revenue from PT Bukit Asam (Persero) Tbk for providing coal transportation service.

Based on the payment report, the transportation fee from PT Bukit Asam (Persero) Tbk to PT Kereta Api Indonesia (Persero), the total amount of transportation fee is more than 1% of state revenue. Thus, the transportation fee must be reconciled.

The total payment to PT Kereta Api Indonesia (Persero) in 2014 is IDR 1,522,879 million.

State Revenue from SOE in Extractive Industry

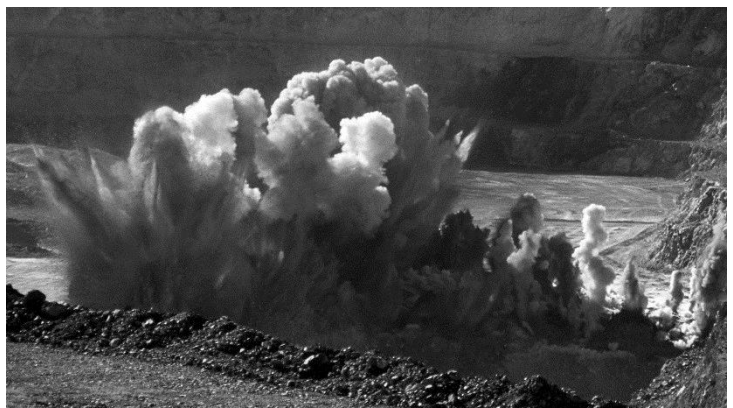
EITI Standard 4.5 stated that the role of SOE in state revenue has to be clear. SOE is an enterprise that partially or fully owned by state that is regulated in Law No.19/2003. In addition, SOE is regulated under Law No.40/2007 about Limited Company, Capital Market Law and special regulation for the listed SOEs on Indonesia Stock Exchange, State Financial Law and Investigation and Monitoring Law.

The establishment of SOE is based on Law No.19/2003 about SOE with the purposes below:

- a. To contribute financially to the development of national economy in general and state revenue specifically.
- b. To gain profit
- c. To provide good quality of goods and services for many people
- d. To be the pioneer of business or work undeveloped by private sector or cooperative/ union
- e. To actively provide guidance and help to small business, union or society

In the context of Indonesia EITI report 2014, there are 4 SOEs in extractive industry: PT Pertamina (Persero), PT Aneka Tambang (Persero) Tbk, PT Bukit Asam (Persero) Tbk dan PT Timah (Persero) Tbk.

PT Pertamina (Persero) is the only SOE in oil and gas sector and also the second biggest oil and gas lifting contributor in Indonesia. PT Pertamina (Persero) is the largest dividend contributor among the SOEs. In the reconciliation sample list, there are 3 subsidiaries of PT Pertamina (Persero): PT Pertamina Hulu Energi, Pertamina EP and Pertamina EP Cepu that contributed 15% of government lifting oil and gas and 21% of corporate & dividend tax in 2014.





Tarahan Port – PT Bukit Asam (Persero) Tbk.

Direct Payment from Companies to Local Government

EITI Standard 4.6 required the reporting of direct payment from companies to local government.

There are 2 types of direct payment from companies to local government:

1. Based on Local Regulation

Direct payment based on Local Regulation is through local tax in which required contribution from individual or body/company to local government. Local retribution is local collection as payment for service or granted permission.

For oil and gas companies, direct payment and local retribution is paid by central government to local government based on Shared Revenue Contract. For mining companies, the direct payment is paid directly by companies to local government.

The total of direct payment and local retribution paid by extractive industry (that is included in this report) is Rp 800,673 million and USD 48,333,000 respectively in 2014.

2. Based on commitment between Company and Local Government. Direct payment company to local government established by commitment of the management of mining company to local government as participation in building the local area.

The total of direct payment to local government based on formal agreement in 2014 is Rp 333,992 million and USD 356,000, in which less than 1% of state government. Thus, the direct payment to local government is not reconciled and only reported by the companies.

Scope of reconciled companies

The assessment and selection of extractive companies in this report is based on the contribution of each company to total state revenues generated from extractive industry. The selection of those companies is in accordance with Scoping Note 2014, approved by Implementing Team.

For oil and gas sector, this report covers all oil and gas companies that are in production phase which means 100% participation. As for mining sector, the companies were those that paid royalty in the amount of Rp 20 billion to the state. The sampled companies contributed 86% from total non-tax revenues in mining sector.

The threshold of materiality for reconciled state revenue was 1% from total revenues derived from each respective sector and approved by Implementing Team.

In accordance with Scoping Note 2014, verified by IA and Implementing Team, the amount of oil and gas companies that are included in the reconciliation scope for the year 2014 were originally 72 operator and 104 partner. While in the mining sector, the companies that are being sampled amounted to 121 companies consists of 103 coal and 18 mineral companies.

Based on the decision from Implementing Team (MSG) meeting on January 5, 2017, there was a duplication from one of the mining companies, PT Bharinto Ekatama. The samples then reduced to 120 companies (102 coal and 18 mineral companies)

Government entities covered in the reconciliation report were DG Tax, DG Budget, DG Oil and Gas, DG Mineral and Coal and SKK Migas. This report also includes state revenues presented unilaterally (not included during reconciliation process), which came from DG Fiscal Balance, PT Pertamina (Persero), Riau Provincial Government, East Kalimantan Provincial Government and East Java Provincial Government.

The table below presents list of companies that are cooperative in terms of submitting the EITI form 2014 as well as assist in providing clarification should there be any discrepancies found between reporting entities and government entities.

The companies support displayed their commitment in promoting transparency and accountability in extractive sector in Indonesia, particularly through implementation of EITI program.

Table 7 List of Reporting Oil and Gas Companies-Operatpr

No.	Company	Commodity	Working Area
1	PT Chevron Pacific Indonesia	Oil	Rokan Block, Ons. Central Sumatera
2	Chevron Indonesia Co.	Oil & Gas	East Kalimantan, Ons. Off.
3	Chevron Makassar Ltd.	Oil & Gas	Off. Makassar Strait
4	Chevron Siak Inc.	Oil	Siak Block, Ons.
5	Total E&P Indonesia	Oil & Gas	Mahakam Block, Off. East Kal.
6	ConocoPhillips Indonesia Inc. Ltd.	Oil & Gas	South Natuna Sea Block "B", Off.
7	ConocoPhillips (Grissik) Ltd.	Oil & Gas	Corridor Block, Ons. South Sumatera
8	ConocoPhillips (South Jambi) Ltd.	Gas	South Jambi 'B' Block, Ons. Jambi
9	Pertamina EP	Oil & Gas	Pertamina Ep
10	Virginia Indonesia Co.	Oil & Gas	Sanga-sanga Block, Ons. East Kal.
11	Virginia Indonesia Co. CBM Ltd.	Gas	Sanga-sanga
12	Mobil Exploration Indonesia Ltd.	Oil & Gas	North Sumatera, Off.

No.	Company	Commodity	Working Area
13	Exxon-Mobil Oil Indonesia Inc.	Oil & Gas	"B" Block, Ons. North Sumatera
14	Mobil Cepu Ltd.	Oil	Cepu Block, Java
15	CNOOC SES Ltd.	Oil & Gas	Southeast Sumatera, Off.
16	BP Muturi Holdings B.V.	Oil & Gas	Muturi Block, Irian Jaya
17	BOB PT Bumi Siak Pusako - Pertamina Hulu	Oil	Cpp Block, Ons. Central Sumatera
18	Pertamina Hulu Energi ONWJ Ltd.	Oil & Gas	Northwest Java Sea, Off.
19	JOB Pertamina - PetroChina East Java	Oil & Gas	Tuban Block, Ons. East Java
20	JOB Pertamina - PetroChina Salawati Ltd.	Oil & Gas	Salawati, Ons. Off. Irian Jaya
21	JOB Pertamina - Medco E&P Tomori Sulawesi	Oil	Senoro-toili, Ons.Off.
22	JOB Pertamina - Golden Spike Energy Indonesia	Oil & Gas	Raja&pendopo Block, Ons. South Sumatera
23	Petrochina Int'l Jabung Ltd.	Oil & Gas	Jabung Block, Ons. Jambi.
24	Petrochina Int'l Bermuda Ltd.	Oil & Gas	Kepala Burung Block, Salawati Basin
25	Petrochina Int'l Bangko Ltd.	Oil	Bangko, Ons. South Sumatera
26	BP Berau Ltd.	Oil & Gas	Berau, Off. Irian Jaya
27	BP Wiriagar Ltd.	Oil & Gas	Wiriagar Block, Ons. Irian Jaya
28	PT Medco E&P Rimau	Oil & Gas	Rimau Block, Ons. South Sumatera
29	PT Tiara Bumi Petroleum	Oil	West Air Komerling
30	PT Medco E&P Tarakan	Oil & Gas	Tarakan Island, Ons. East Kal.
31	PT Medco E&P Indonesia	Oil	Kampar
32	PT Medco E&P Indonesia	Oil & Gas	South Sumatera, Ons.
33	PT Medco E&P Lematang	Gas	Lematang, Ons. South Sumatera.
34	Premier Oil Natuna Sea B.V.	Oil & Gas	Natuna Sea Block "A", Off.
35	Pearl Oil (Sebuku) Ltd.	Gas	Sebuku
36	EMP Malacca Strait S.A (Kondur Petroleum S.A.)	Oil & Gas	Malacca Strait Block, Off.
37	Kangean Energy Indonesia Ltd.	Oil & Gas	Kangean Block, Ons. Off. E.Java Sea
38	PT Pertamina Hulu Energi Siak	Oil	Siak Block, Ons.
39	Lapindo Brantas Inc.	Gas	Brantas Block, Ons. Off. East Java.
40	EMP (Bentu) Ltd. (Kalila (Bentu) Limited)	Gas	Bentu Segat Block, Ons. Riau
41	PT EMP Tonga (PT Mosesa Petroleum)	Oil	Tonga Field
42	Star Energy (Kakap) Ltd.	Oil & Gas	Kakap Block
43	JOB Pertamina - Talisman (Ogan Komerling) Ltd.	Oil & Gas	Ogan Komerling, Ons. South Sum.
44	Saka Indonesia Pangkah Ltd.	Oil & Gas	Pangkah Block, Off. N.E. Java Sea
45	Santos (Sampang) Pty. Ltd.	Oil & Gas	Sampang , Ons. Off.
46	Santos (Madura Offshore) Pty. Ltd.	Gas	Madura Off.Block, Se.Madura
47	Energy Equity Epic (Sengkang) Pty. Ltd.	Gas	Sengkang, Ons. South Sulawesi
48	Citic Seram Energy Ltd.	Oil	Seram Non Bula
49	Kalrez Petroleum (Seram) Ltd.	Oil	Bula, Ons. Seram
50	MontD'or Oil Tungkal Ltd.	Oil	Tungkal, Ons. Jambi
51	Petroselat Ltd.	Oil	Selat Panjang, Ons. Riau.
52	BUMD Benuo Taka	Gas	Wailawi – East Kalimantan
53	JOB Pertamina - EMP Gebang	Oil & Gas	Gebang Block, Ons.Off North Sum.
54	PT SRP Langgak	Oil	Langgak, Riau
55	PT Sele Raya Merangin Dua	Oil	Merangin li Block, Off. South Sum.
56	Camar Resources Canada Inc.	Oil	Bawean Block, Ons. Off. East Java Sea

No.	Company	Commodity	Working Area
57	Triangle Pase Inc.	Oil & Gas	Pase Block, Ons. Aceh
58	JOB Pertamina - Talisman Jambi Merang	Oil & Gas	Jambi Merang Block, Ons. Jambi
59	JOA Total E&P Indonesie	Oil & Gas	Tengah Block, Off. East Kal.
60	Indonesia Petroleum Ltd.	Oil & Gas	Attaka Block, Off. East Kal.
61	PT Pertamina Hulu Energi South Jambi	Gas	South Jambi 'B' Block, Ons. Jambi
62	PT Pertamina Hulu Energi Tuban East Java	Oil & Gas	Tuban Block, Ons. East Java
63	PT Pertamina Hulu Energi Salawati	Oil & Gas	Salawati, Ons. Off. Irian Jaya
64	PT Pertamina Hulu Energi Tomori	Oil	Senoro-toili, Ons.Off.
65	PT Pertamina Hulu Energi Raja Tempirai	Oil & Gas	Raja&pendopo Block, Ons. South Sum.
66	PT Pertamina Hulu Energi Ogan Komering	Oil & Gas	Ogan Komering, Ons. South Sum.
67	PT Pertamina Hulu Energi Gebang	Oil & Gas	Gebang Block, Ons.Off North Sum.
68	PT Pertamina Hulu Energi Jambi Merang	Oil & Gas	Jambi Merang Block, Ons. Jambi
69	PT Pertamina Hulu Energi West Madura	Oil & Gas	West Madura, Off. East Java.
70	PT Pertamina Hulu Energi Tengah Area	Oil & Gas	Tengah Block, Off. East Kal.
71	Sumatera Persada Energi	Oil	West Kampar
72	Tately N.V	Oil	Palmerah Block

Source: EITI Indonesia Data Analysis Year 2014

Table 8 List of Reporting Oil and Gas Companies-Partner

No.	Company	No.	Company
1	INPEX Offshore North Mahakam Ltd	25	PT Petrogas Jatim Utama Cendana
2	PT Pertamina Hulu Energi Makassar Strait	26	PT Pertamina Hulu Energi OSES
3	BUT Tiptop Makassar Limited	27	Kufpec Indonesia SES BV.
4	Chevron South Natuna B. Inc	28	Fortuna Resources (Sunda) Ltd.
5	INPEX Natuna Ltd	29	Talisman UK (South East Sumatra) Ltd.
6	PT Pertamina Hulu Energi Corridor	30	Talisman Resources (Bahamas) Ltd.
7	Talisman (Corridor) Ltd.	31	CNOOC Muturi Ltd.
8	PetroChina International Jambi B	32	Indonesia Natural Gas Resources Muturi, Inc.
9	PT Pertamina Dana Ventura	33	PT Pertamina Hulu Energi
10	BP East Kalimantan Ltd.	34	EMP ONWJ Ltd.
11	LASMO SANGA-SANGA Ltd.	35	Kufpec Indonesia (ONWJ) BV
12	OPICOIL HOUSTON	36	PP Oil & Gas (Jabung)
13	VIRGINIA INTERNATIONAL Co. LLC	37	PC Jabung Ltd.
14	UNIVERSE GAS & OIL COMPANY, Inc.	38	PT Pertamina Hulu Energi Jabung
15	BP East Kalimantan CBM Ltd.	39	Petrochina International Ltd.
16	ENI CBM	40	RHP Salawati Island
17	OPICOIL HOUSTON	41	PT Pertamina Hulu Energi Salawati Basin
18	VIRGINIA INTERNATIONAL Co. LLC	42	MI Berau BV
19	JAP CBM	43	Nippon Oil Exploration (Berau) Ltd.
20	Ampolex (Cepu) PTE. Ltd.	44	KG Berau Petroleum Ltd.
21	PT Pertamina EP Cepu	45	Talisman Wiriagar Overseas Ltd. (BP Wiriagar)
22	PT Sarana Patra Hulu Cepu	46	KG Wiriagar Petroleum Ltd.
23	PT Blora Patragas Hulu	47	PDPDE
24	PT Asri Dharma Sejahtera	48	Lundin Lematang BV

No.	Company	No.	Company
49	Lematang E&P Limited	73	KUFPEC (Indonesia) Limited
50	Natuna 1 BV (Petronas)	74	GULF Petroleum Investment Co.
51	Kufpec	75	PetroChina International Selat Panjang Ltd.
52	Natuna 2 BV (Pertamina / PTTEP)	76	Kingswood Capital Ltd.
53	Total E&P Sebuku	77	Merangin BV
54	Inpex South Makassar Ltd.	78	Sinochem Merangin Ltd
55	OOGC Malacca Limited	79	Camar Bawean Petroleum Ltd.
56	Malacca Petroleum Limited	80	Petrochina International Java Ltd
57	EMP Exploration (Kangean) Ltd.	81	PT Pertamina Hulu Energi Tuban
58	PT Prakarsa Brantas	82	Petrochina International KB Ltd.
59	PT Minarak Brantas	83	BUT RHP Salawati Island B.V
60	Premier Oil Kakap BV	84	RH Petrogas (Island) Ltd.
61	SPC Kakap Limited	85	PT Medco E&P Tomori Sulawesi
62	Novus UK (Kakap) Ltd	86	BUT Tomori Limited
63	PT Pertamina Hulu Energi Kakap	87	Golden Spike
64	Natuna UK (Kakap 2) Ltd	88	Talisman (Ogan Komering) Ltd.
65	Novus Nominees Pty Ltd	89	Energi Mega Persada Gebang Ltd. (EMP)
66	Novus Petroleum Canada (Kakap) Ltd	90	Talisman (Jambi Merang) Limited
67	Saka Pangkah LLC	91	Pacific Oil & Gas (Jambi Merang) Limited
68	Saka Indonesia Pangkah BV	92	Kodeco Energy Co.,Ltd
69	Singapore Petroleum Sampang Ltd.	93	PT Mandiri Madura Barat
70	CUE Sampang Pty. Ltd.	94	Total E&P Indonesia
71	Petronas Carigali (Madura) Ltd.	95	Inpex Tengah
72	PT Petrogas Pantai Madura		

Source: EITI Indonesia Data Analysis Year 2014

Table 9 List of Reporting Mineral and Coal Companies

No.	Company	Area	Permit Type
1	CV Binuang Mitra Bersama	South Kalimantan	IUP-BB
2	PD Baramarta	South Kalimantan	PKP2B
3	PT Adaro Indonesia	South Kalimantan	PKP2B
4	PT Adimitra Baratama Nusantara	East Kalimantan	IUP-BB
5	PT Agincourt Resources	North Sumatera	KK
6	PT Alfara Delta Persada	East Kalimantan	IUP-BB
7	PT Alhasanie	East Kalimantan	IUP-BB
8	PT Aneka Tambang (Persero) Tbk.	West Kalimantan	IUP-MN
9	PT Antang Gunung Meratus	South Kalimantan	PKP2B
10	PT Arutmin Indonesia	South Kalimantan	PKP2B
11	PT Arzara Baraindo Energitama	East Kalimantan	IUP-BB
12	PT Asmin Bara Bronang	Central Kalimantan	PKP2B
13	PT Asmin Koalindo Tuhup	Central Kalimantan	PKP2B
14	PT Babel Inti Perkasa	Bangka Belitung	IUP-MN
15	PT Bangun Benua Persada Kalimantan	South Kalimantan	PKP2B
16	PT Baradinamika Mudasukses	North Kalimantan	IUP-BB

No.	Company	Area	Permit Type
17	PT Berau Coal	East Kalimantan	PKP2B
18	PT Bharinto Ekatama	East Kalimantan dan Central Kalimantan	PKP2B
19	PT Borneo Indobara	South Kalimantan	PKP2B
20	PT Bukit Asam (Persero) Tbk	South Sumatera	IUP-BB
21	PT Bukit Baiduri Energi	East Kalimantan	IUP-BB
22	PT Bukit Timah	Bangka Belitung	IUP-MN
23	PT Bumi Merapi Energi	South Sumatera	IUP-BB
24	PT Duta Tambang Rekayasa	East Kalimantan	IUP-BB
25	PT Fajar Sakti Prima	East Kalimantan	IUP-BB
26	PT Firman Ketaun Perkasa	East Kalimantan	PKP2B
27	PT Freeport Indonesia Corporation	Papua	KK
28	PT Gema Nusa Abadi Mineral	West Kalimantan	IUP-MN
29	PT Gunung Bayan Pratamacoal	East Kalimantan	PKP2B
30	PT Indexim Coalindo	East Kalimantan	PKP2B
31	PT Indominco Mandiri	East Kalimantan	PKP2B
32	PT Indomining	East Kalimantan	IUP-BB
33	PT Insani Baraperkasa	East Kalimantan	PKP2B
34	PT Internasional Prima Coal	East Kalimantan	IUP-BB
35	PT Jembayan Muarabara	East Kalimantan	IUP-BB
36	PT Jorong Barutama Greston	South Kalimantan	PKP2B
37	PT Kaltim Batumanunggal	East Kalimantan	IUP-BB
38	PT Kaltim Prima Coal	East Kalimantan	PKP2B
39	PT Karbon Mahakam	South Kalimantan	IUP-BB
40	PT Kemilau Rindang Abadi	East Kalimantan	IUP-BB
41	PT Kideco Jaya Agung	East Kalimantan	PKP2B
42	PT Kitadin	East Kalimantan	IUP-BB
43	PT Kuansing Inti Makmur	Jambi	IUP-BB
44	PT Lanna Harita Indonesia	East Kalimantan	PKP2B
45	PT Mahakam Sumber Jaya	East Kalimantan	PKP2B
46	PT Mandiri Inti Perkasa	East Kalimantan	PKP2B
47	PT Marunda Graha Mineral	Central Kalimantan	PKP2B
48	PT Mega Prima Persada	East Kalimantan	IUP-BB
49	PT Metalindo Bumi Raya	South Kalimantan	IUP-BB
50	PT Mitra Stania Prima	South Sumatera	IUP-MN
51	PT Mitrabara Adiperdana	North Kalimantan	IUP-BB
52	PT Multi Harapan Utama	East Kalimantan	PKP2B
53	PT Newmont Nusa Tenggara	Nusa Tenggara Barat	KK
54	PT Nuansacipta Coal Investment	East Kalimantan	IUP-BB
55	PT Nusa Halmahera Minerals	North Maluku	KK
56	PT Nusantara Berau Coal	East Kalimantan	IUP-BB
57	PT Perkasa Inakakerta	East Kalimantan	PKP2B
58	PT Prima Timah Utama	Bangka Belitung	IUP-MN
59	PT Prolindo Cipta Nusantara	South Kalimantan	IUP-BB
60	PT Rantaupanjang Utama Bhakti	East Kalimantan	IUP-BB
61	PT Refined Bangka Tin	Bangka Belitung	IUP-MN
62	PT Sago Prima Pratama	East Kalimantan	IUP-MN
63	PT Santan Batubara	East Kalimantan	PKP2B
64	PT Sinar Kumala Naga	East Kalimantan	IUP-BB
65	PT Singlurus Pratama	East Kalimantan	PKP2B

No.	Company	Area	Permit Type
66	PT Tambang Damai	East Kalimantan	PKP2B
67	PT Tanito Harum	East Kalimantan	PKP2B
68	PT Teguh Sinar Abadi	East Kalimantan	PKP2B
69	PT Telen Orbit Prima	East Kalimantan	IUP-BB
70	PT Timah (Persero) Tbk	Bangka Belitung	IUP-MN
71	PT Trisensa Mineral Utama	East Kalimantan	IUP-BB
72	PT Trubaindo Coal Mining	East Kalimantan	PKP2B
73	PT Tunas Inti Abadi	South Kalimantan	IUP-BB
74	PT Vale Indonesia Tbk	Southeast Sulawesi	KK
75	PT Wahana Baratama Mining	South Kalimantan	PKP2B

Source: EITI Indonesia Data Analysis Year 2014

Non-reporting companies

From 176 oil and gas companies, covering 72 operators and 104 partners as well as 120 mining companies, as much as 55 companies did not submit their report where 9 were oil and gas partner and 45 were mining companies.

From state revenue perspective, oil and gas companies that have reported contributed 99.94% for operator and 97.5% for partner in proportion to total revenue in oil and gas sector. Whereas mining companies that already reported contributed as much as 85% from total revenue in mining sector in a form of Royalty and PHT.

Measuring from contribution to state revenue from reporting companies, either through tax or non-tax revenues, the amount of contribution from non-reporting companies deemed to be insignificant for reconciliation, that is 2.5% for partner and 7.42% for mining companies.

List of companies that are not reporting will be elaborated on the next page.



BWE – PT Bukit Asam (Persero) Tbk.

Table 10 List of Non-Reporting Oil and Gas Companies-Partner

No.	Company	Block	Reason for not reporting	DG Budget - C&D Tax (thousands USD)
1	KNOC Sumatra. Ltd.	Southeast Sumatera. Off.	Transfer of ownership	7,193
2	PT Bumi Siak Pusako	CPP Block. Ons. Central Sumatera	Passed the deadline	12,003
3	PT Imbang Tata Alam	Malacca Strait Block. Off.	Passed the deadline	251
4	PT Kencana Surya Perkasa	Tonga Field	Passed the deadline	0
5	PT Petross Petroleum Production	Tonga Field	Passed the deadline	0
6	LION International Investment Ltd.	Seram Non Bula	Passed the deadline	0
7	Fuel-X	Tungkal. Ons. Jambi	Passed the deadline	0
8	PT Petronusa Bumibakti	Selat Panjang. Ons. Riau.	Passed the deadline	0
9	International Mineral Resources Inc.	Selat Panjang. Ons. Riau.	Passed the deadline	0
TOTAL				19.447
TOTAL REVENUE				6.894.810
PERCENTAGE OF REVENUE				0,28%

Source: EITI Indonesia Data Analysis Year 2014

9 oil and gas partner that did not report can be classified as below:

1. KNOC Sumatra Ltd. have transferred of ownership where as per January 2017, CNOOC SES Ltd, as an operator has three partners at Lampung, which are PGN Saka., Kufpec Regional Venture (Indonesia) Ltd., and Pertamina Hulu Energi OSES. CNOOC SES Ltd, does not have any C&D payment record from KNOC Sumatra Ltd. and can only provides full company address. However, the company did not reside in that address anymore.

2. The remaining 8 oil and gas partners did not submit their reports until the agreed deadline

In terms of mineral and coal companies, the list of non reporting companies is shown on the next page.

Table 11 List of Non-Reporting Mining Companies

No.	Company	Type	Area	Reasons for Not Reporting	DG Mineral and Coal Royalty and PHT (millions Rupiah)
1	PT Alam Jaya Barapratama	IUP Batubara	East Kalimantan	Passed the deadline	21,179
2	PT Aman Toebillah Putra	IUP Batubara	South Sumatera	Passed the deadline	24,128
3	PT Amanah Anugerah Adi Mulia	IUP Batubara	South Kalimantan	Passed the deadline	36,108
4	PT Bara Alam Utama	IUP Batubara	South Sumatera	Passed the deadline	52,373
5	PT Bara Jaya Energi	IUP Batubara	East Kalimantan	Not connected	1,02
6	PT Bara Jaya Utama	IUP Batubara	East Kalimantan	No response	109,573
7	PT Bara Kumala Sakti	IUP Batubara	East Kalimantan	Passed the deadline	116,071
8	PT Baramega Citra Mulia Persada	IUP Batubara	South Kalimantan	Passed the deadline	693
9	PT Belitung Industri Sejahtera	IUP Mineral	Bangka Belitung	No response	30,919
10	PT Beringin Jaya Abadi	IUP Batubara	East Kalimantan	Not connected	73,086
11	PT Bhumi Rantau Energi	IUP Batubara	South Kalimantan	Passed the deadline	95,694
12	PT Binamitra Sumberarta	IUP Batubara	East Kalimantan	Not connected	31,755
13	PT Cahaya Energi Mandiri	IUP Batubara	East Kalimantan	Passed the deadline	75,977
14	CV Energi Bumi Kartanegara	IUP Batubara	East Kalimantan	Passed the deadline	402
15	PT Energy Cahaya Industritama	IUP Batubara	East Kalimantan	Not connected	62,048
16	CV Fazar Utama	IUP Batubara	East Kalimantan	Passed the deadline	40,234
17	PT Ferto Rejang	IUP Batubara	Bengkulu	Not connected	29,865
18	KUD Gajah Mada	IUP Batubara	South Kalimantan	Passed the deadline	1,331
19	PT Globalindo Inti Energi	IUP Batubara	East Kalimantan	Passed the deadline	31,860
20	PT Indoasia Cemerlang	IUP Batubara	South Kalimantan	Passed the deadline	51,903
21	PT Injatama	IUP Batubara	Bengkulu	Passed the deadline	63,836

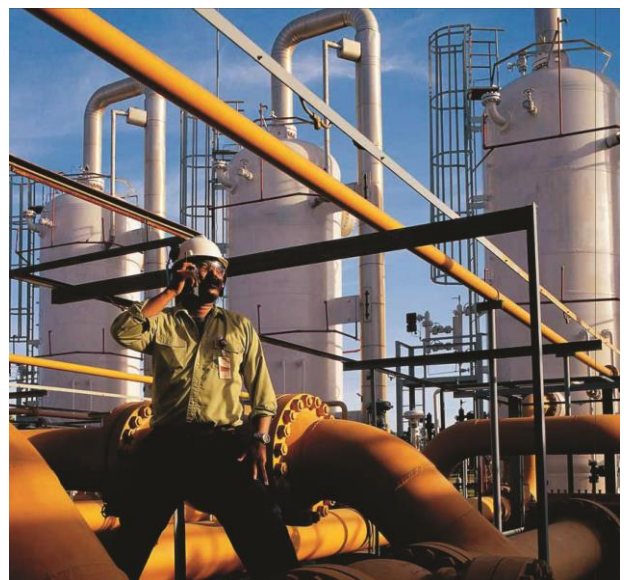
No.	Company	Type	Area	Reasons for Not Reporting	DG Mineral and Coal Royalty and PHT (million Rupiah)
22	PT Kalimantan Energi Lestari	PKP2B	South Kalimantan	Passed the deadline	235,502
23	PT Kaltim Jaya Bara	IUP Batubara	East Kalimantan	Reluctant to report	23,690
24	PT Kayan Putra Utama Coal	IUP Batubara	East Kalimantan	No response	330,502
25	PT Kutai Energi	IUP Batubara	East Kalimantan	Passed the deadline	25,954
26	PT Lembuswana Perkasa	IUP Batubara	East Kalimantan	No response	74,441
27	KUD Makmur	IUP Batubara	South Kalimantan	No response	450
28	PT Manambang Muara Enim	IUP Batubara	South Kalimantan	No response	24,099
29	PT Meares Sopotan Mining	KK	North Sulawesi	No response	20,573
30	PT Muara Alam Sejahtera	IUP Batubara	South Kalimantan	No response	48,013
31	PT Multi Sarana Avindo	IUP Batubara	East Kalimantan	No response	142,241
32	PT Pancaran Surya Abadi	IUP Batubara	East Kalimantan	Not connected	25,835
33	PT Pesona Khatulistiwa Nusantara	PKP2B	North Kalimantan	Passed the deadline	176,434
34	PT Pipit Mutiara Jaya	IUP Batubara	East Kalimantan	Passed the deadline	107,897
35	PT Raja Kutai Baru Makmur	IUP Batubara	East Kalimantan	Not connected	24,584
36	PT Rinjani Kartanegara	IUP Batubara	East Kalimantan	Passed the deadline	65,637
37	PT Senamas Energindo Mineral	IUP Batubara	Kalimantan Tengah	Passed the deadline	26,913
38	CV Serumpun Sebalai	IUP Mineral	Bangka Belitung	Transfer of ownership	24,703
39	PT Sungai Berlian Bhakti	IUP Batubara	East Kalimantan	Not connected	33,287
40	PT Supra Bara Energi	IUP Batubara	East Kalimantan	No response	32,931
41	PT Surya Sakti Darma Kencana	IUP Batubara	South Kalimantan	Not connected	23,619
42	PT Tamtama Perkasa	IUP Batubara	Central Kalimantan	Passed the deadline	19,225

No.	Company	Type	Area	Reasons for Not Reporting	DG Mineral and Coal Royalty and PHT (million Rupiah)
43	PT Tinindo Inter Nusa	IUP Mineral	Bangka Belitung	Reluctant to report	27,262
44	CV Venus Inti Perkasa	IUP Mineral	South Sumatera	Not connected	21,691
45	PT Welarco Subur Jaya	IUP Batubara	East Kalimantan	No response	40,389
TOTAL					2,526,132
TOTAL REVENUE					34,060,670
PERCENTAGE OF REVENUE					7.42%

Source: EITI Indonesia Data Analysis Year 2014

From 45 mining companies that did not report can be classified as below:

1. PT Ferto Rejang, with IUP located in North Bengkulu and Central Bengkulu is one of the company which IA failed to reached out. The company still operates in 2014, however based on letter from Ministry of Energy and Mineral Resources No1343.Pm/04/DJB/2016 about Decision of IUP Clear and Clean the 19 and list of IUP revoked by Governor/Mayor. IUP of PT Ferto Rejang has ben revoked by the Governor/Mayor in the area with SK No 348-349.379 in the year of 2016.
2. CV Serumpun Sebalai has transferred of ownership or management level based on Notary deed No 004
3. PT Kaltim Jaya Bara and PT Tinindo Inter Nusa has orally stated to not report due to confidentiality reason
4. 13 mining companies have no further response after form delivery by IA
5. 9 mining companies were unreachable due to not updated contact database, for instance: change in address
6. The remaining 19 mining companies did not submit their reports until the agreed deadline



Virginia Indonesia Co.

Revenue Sharing Fund (DBH)

Revenue Sharing Fund (DBH) of natural resources is regulated under Government Regulation No. 55/2005. The source of DBH came from non-tax revenues (PNBP) paid to the central government and reported in the State Budget (APBN). PNBP is then distributed to regions, with producing regions holding the biggest share. DBH then will be utilized to fund region’s needs in commencing decentralization.

Natural resources DBH streams in Indonesia are reflected in the activities below:

1. Crude oil production;
2. Natural gas production;
3. General mining (including mineral and coal);
4. Geothermal mining;

5. Forestry activities;
6. Fishery activities

In the context of this report, the natural resources DBH that are being identified came from oil and gas and general mining sector. Realization for DBH distributed from central government to local government in 2014 are in the amount of IDR 19.8 trillion for oil, IDR 19.2 trillion for gas and IDR 14.9 trillion for general mining.

Findings and Recommendations

Recommendations to follow-up the previous EITI Report (2012-2013)

In pursuant to EITI International standard year 2016 ,IA is required to comment on the follow-up for recommendation made from the previous report.

The following table lists the follow-up for recommendations made for Indonesia EITI reconciliation report for Oil and Gas and Mining sector in 2012 – 2013.

Table 12 Findings and Recommendations EITI Reconciliation Report EITI 2014

Findings	Recommendation Year 2012 - 2013	Implementation in Current Report
Some information is not publicly available	<ul style="list-style-type: none"> ▶ Promote transparency of key information as put forward in EITI standard ▶ Implementing team to defines “beneficial owner” so that the information can be accommodated in the future reporting format 	<ul style="list-style-type: none"> ▶ Information related to contract’s content and regulation for oil and gas for each block and mining still cannot be disclosed publicly by the Government. The only available information is the draft of oil and gas contract that consists of rights and obligations between Government and Contractors <ul style="list-style-type: none"> ▶ Need to develop an agreement for certain information in contract that can be disclosed publicly ▶ Cadaster information for oil and gas sector has been managed by MEMR- data center and technology information (PUSDATIN) during the report development and is free of charge. While cadaster information for mining sector have already existed in the same website but not yet publicly accessible ▶ EITI Secretariat has made plans to develop roadmap to realize the “beneficial owners” transparency that is planned to commenced on 2017 by sorting out definition of “beneficial owners” in Indonesia

Findings	Recommendation Year 2012 - 2013	Implementation in Current Report
Difficulty and delay in obtaining data and information	<ul style="list-style-type: none"> ▶ Implementing Team to be more involved and contributed in providing data and information ▶ Optimizing the process of monitoring and evaluation by involving Ministry Home Affairs and parties that have similar initiatives such as <i>Korsup</i> Mineral and Coal Corruption Eradication Commission (KPK) ▶ Reporting format and forms have been agreed upon at the time of finalization of the Scoping Study 	<ul style="list-style-type: none"> ▶ Implementation Team has been involved and supported in providing data and information ▶ Implementation Team may also formally engaged Ministry of Home Affairs and Investment Coordinating Board (BKPM) in its membership ▶ In this year of implementation, the team has greatly helped with fast response in data retrieval, when request is suggested to be forwarded to Law Enforcement such as Corruption Eradication Commission (KPK), <i>KSP</i> and National Development Planning Agency (BAPPENAS). In the future, the same approach can also be done to speed up the data retrieval process
Report by corporate entities	<ul style="list-style-type: none"> ▶ Encourage the establishment of technical regulations governing the reporting of mineral and coal entities to Local Government, then from Local Government to Central Government 	<ul style="list-style-type: none"> ▶ In the implementation, the applicable law and regulation, in this case the Law no. 23 Year 2014 on Local Government, which the reporting process of mineral and coal entities to the Local Government and the reporting from Local Government to the Central Government is not effective ▶ Transitional authority of a mining license as mentioned in the point above, from District/ City to the Provincial Government led to a delay in reporting by corporate entities
Disclosure of tax data	<ul style="list-style-type: none"> ▶ For the Head of Steering Committee or Head of EITI requests the Minister of Finance to give written permission for Directorate General of Tax to reveal Corporate Income Tax (PPH) data of the reporting entities 	<ul style="list-style-type: none"> ▶ The administration process of preparing letter from Head of Steering Committee or Head of Implementation Team to Minister of Finance is not working ▶ In the implementation, the representatives of Ministry of Finance provide data access using the authorization from mineral and coal companies

Findings	Recommendation Year 2012 - 2013	Implementation in Current Report
Scoping Study	<ul style="list-style-type: none"> ▶ Necessary to be included in the Scoping Study, the materiality limit differences to be clarified, for example 5% in accordance with the disclosure of financial statements required by the Financial Services Authority (OJK) 	<ul style="list-style-type: none"> ▶ Has been implemented as recommendations
Gas unit in the Reporting Format	<ul style="list-style-type: none"> ▶ The upcoming reporting form is using MBTU and MSCF as unit measurement ▶ Reporting format must provide data of conversion rate, both for MBTU to MSCF and Ton to MSCF (For LPG) 	<ul style="list-style-type: none"> ▶ There are many companies does not include gas volume in MBTU or conversion rate ▶ Forms filled by Directorate General of Oil and Gas presents volume and amount (USD)
Incorrect record of account in mineral and coal sector	<ul style="list-style-type: none"> ▶ Socialization depositing non-tax revenues (PNBP) to taxpayers (Waba) and Local Government ▶ Implementation of the payment system and integrated reporting so that there is no difference between the recording of the General Accounting System (SAU) and the Institution Accounting System (SAI) 	<ul style="list-style-type: none"> ▶ There are still improper recording of non-tax revenues (BNBP) in mineral and coal sector such as: <ul style="list-style-type: none"> ○ Remittance of royalties by the company are recorded as PHT by Directorate General of Mineral and Coal and so in depositing PHT

Recommendation of EITI Report Year 2014

In accordance with with the EITI standards in 2016, IA is expected to compose recommendation in order to enhance the reporting process in the future, including recommendations of audits practices to conform with international standards.

This section outlines improvement suggestions and feedback for the implementation of EITI in Indonesia and for the preparation of EITI report in the next period.

This recommendation is expected to be a reference for the Steering Committee, Implementation Team and IA in the next period in preparing EITI report. The report will be used as a basis of reference and discussion among the wider public, including entities in the extractive sector and relevant government agencies that will improve the governance of the extractive industry itself.

1. There is no standardization in measuring the impact of expenditures in social, economic and environmental responsibilities (CSR)

Background

To meet the EITI standard 2016, provision 6.1- Social expenditure by extractive companies and 6.3-The contribution of the extractive sector to the economy.

Observation

Assessment on impact of social, economic and environmental responsibilities towards the improvement of the economic and social community of working area.

Implication

IA can only identify the amount of expenditures of extractive sector companies for social, economic and environmental responsibilities without making any analysis related to its impact on the surrounding community.

Recommendation

- ▶ Required to create a method and standard to measure the impact of social, economic and environmental responsibilities of extractive sector companies towards the improvement of economic and social community.
- ▶ Reform template EITI Reconciliation Report for the next period that includes information on the impact of social, economic and environmental responsibilities.

2. Update of corporate data is not performed, especially on mining sector

Background

Preparation of EITI Report Indonesia has been implemented since 2009 but still a lot of mining companies' data that is inaccurate

Observation

Based on the implementation of Indonesia EITI Report 2014 in particular Reconciliation Report, there is a problem in distributing EITI Report template either by mail or email which is undelivered to the reporting entities.

Implication

- ▶ IA received many return mails that is undelivered to the reporting entities or undelivered email due to the email address is not registered
- ▶ IA searched for address, email, telephone number of companies either through EITI Secretariat, Directorate General of Mineral and Coal, Local Government, online website and IA company database
- ▶ Socialization is conducted several times
- ▶ Reconciliation and clarification process and reconciliation reporting are overdue.

Recommendation

EITI Secretariat always perform update on contact details data of reporting company in accordance to the latest EITI Report.

3. Implementation of EITI Report should not be performed at the entity's annual report preparation

Background

Companies are experiencing difficulties in meeting the reporting deadlines due to their financial reporting obligations and/or external audit processes that being conducted at the same time.

Observation

There are several objections by the reporting entities in submitting the reconciliation report in accordance to the deadlines requested.

Implication

- ▶ Overdue submission of EITI form from entities result in the delay in the completion of EITI Reconciliation Report
- ▶ Difficulties in meeting the sources for clarification.

Recommendation

Consider the schedule of the implementation of Indonesia EITI Report preparation for the next period.

4. Guidelines on EITI form filling and form template for reporting entities need to be updated

Background

- ▶ Mistakes in EITI form filling for oil and gas sector reporting entities where most of the mistakes are caused by wrong FQR data retrieval
- ▶ Limitations on recording system of payment (tax) in the Directorate General of Treasury, Ministry of Finance, which is only based on the money inflow to the country
- ▶ Difference in the conversion rate from MMBTU to MSCF unit in reporting the gas volume between entities and Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources.

Observation

- ▶ Guidelines on EITI form filling for reporting entities are lack of details, where only contained general instructions such as explanation of each section in the form and number format
- ▶ Reporting entities face difficulties in mapping the information in the FQR used in EITI form filling.
- ▶ In relation to the payment to the country (tax) in the current year, there is a difference between reporting entities and the government agencies. Moreover, it is difficult to issue state revenue data for each of the entity
- ▶ Each entity uses different gas conversion rate from MMBTU to MSCF unit due to the different quality/grade of the gas.

Implication

- ▶ Filing incomplete and/or inaccurate form by the PSC
- ▶ Unable to reconcile data with Directorate General of Treasury
- ▶ There are significant differences of the gas data between entities and Directorate General of Oil and Gas caused by Directorate General of Oil and Gas used average conversion rate of MMBTU to MSCF unit for gas of 1.036.

Recommendation

- ▶ Guidelines of EITI form filling for reporting entities can be made more detail up to the elaboration of EITI form filling with the FQR
- ▶ Perform update on the EITI form for reporting entities to make reconciliation be easier and quicker
- ▶ Add column for filling *NTPN* number for reconciliation with Directorate General of Treasury
- ▶ Data forms filled by Directorate General of Oil and Gas presents the volume and amount (USD) and the data being reconciled is in USD.

5. Sample of province for revenue sharing fund (DBH) is always the same

Background

The principle of distinctiveness of a district that is in line with transparency requires a more thorough provinces sample.

Observation

Since the year 2012 until 2014, the provinces sample for DBH are: East Java, Riau and East Kalimantan.

Implication

Less illustrates the distribution of DBH nationally which in line with the contribution of the extractive industries of the area.

Recommendation

EITI Secretariat should assess the selection of different province sample each year for the DBH data to illustrate the transparency comprehensively.

Note:

EITI Implementation Team need to further discuss each of the recommendation in the EITI Report and perform joint monitoring of the implementation of the recommendations.

